

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 396 - HB 634

March 9, 2015

SUMMARY OF BILL: Redefines a “municipality” to mean an incorporated town or city having a population of at least 925, rather than 1,000, persons, for the purposes of intoxicating liquor law provisions. Deletes the provision declaring that sales of alcoholic beverages at retail shall be made only in municipalities in counties that permitted the manufacture, receipt, sale, storage, transportation, distribution, and possession of alcoholic beverages, or within civil districts of such counties, if such districts have a population of at least 30,000 and not have lying either wholly or partly within its boundaries a municipality. Authorizes the sale of alcoholic beverages at retail in unincorporated areas of such counties. Authorizes the county legislative body or the county beer board to limit the location of retail package stores and the number of licenses issued within the unincorporated areas of such counties.

ESTIMATED FISCAL IMPACT:

Increase State Revenue – Exceeds \$11,100/One-Time/ABC Fund
Exceeds \$31,500/Recurring/ABC Fund
Exceeds \$4,495,800/Recurring/General Fund

Increase Local Revenue – Exceeds \$1,575,400/Recurring/Permissive

Assumptions:

- The Department of Revenue reports that there are 606 unincorporated towns and 346 incorporated municipalities in Tennessee. There were 739 liquor stores in 2013, with the vast majority located within incorporated municipalities.
- Based on the FY13-14 alcohol and wine tax collections, and assuming reasonable growth rates in such collections, and further assuming that 75 percent of such collections are for sales of beverages in liquor stores, FY15-16 alcohol tax collections, under current law, are estimated to be \$31,875,000 and wine tax collections are estimated to be \$9,750,000, for a total of \$41,625,000. Of this amount, \$33,243,716 would be the state portion and \$8,381,284 would be the local portion.
- Authorizing the sale of alcoholic beverages at retail, as described in the proposed legislation, is estimated to result in a recurring increase in alcohol tax collections of at least five percent, or \$2,081,250 (\$1,662,186 state revenue; \$419,064 local revenue).
- Based on the FY13-14 state sales tax collections from liquor stores, and assuming reasonable growth rates in such collections, FY15-16 state sales tax collections are estimated to be approximately \$58,800,000.

- The current state sales tax rate is 7.0 percent; the average local option sales tax rate is estimated to be 2.5 percent; the effective rate of apportionment to local government pursuant to the state-shared allocation is estimated to be 3.617 percent.
- Under current law, FY15-16 net state sales tax collections are estimated to be \$56,673,204 $[(\$58,800,000 - (\$58,800,000 \times 3.617\%))]$; total local sales tax collections are estimated to be \$23,126,796 $[(\$58,800,000 / 7.0\% \times 2.5\%) + (\$58,800,000 \times 3.617\%)]$.
- Authorizing the sale of alcoholic beverages at retail, as described in the proposed legislation, is estimated to result in a recurring increase in sales tax collections of at least five percent, or \$2,833,660 for the state, and \$1,156,340 for the local government.
- The total recurring increase in state revenue to the General Fund is estimated to exceed \$4,495,846 $(\$1,662,186 + \$2,833,660)$; the total recurring increase in local revenue is estimated to exceed \$1,575,404 $(\$419,064 + \$1,156,340)$.
- Pursuant to Tenn. Code Ann. § 57-3-204(b)(1), each applicant for a retail license is required to pay a one-time application fee of \$300. In addition, there is an \$850 annual license fee, both of which are payable to the Tennessee Alcoholic Beverage Commission (ABC).
- Authorizing the sale of alcoholic beverages at retail, as described in the proposed legislation, is estimated to result in a minimum of 37 new retail licenses $(739 \times 5.0\%)$ in FY15-16. The resulting one-time increase in revenue to the ABC Fund is estimated to exceed \$11,100 $(37 \times \$300)$; the recurring increase in revenue to the ABC Fund is estimated to exceed \$31,450 $(37 \times \$850)$.
- No additional personnel or resources will be required by the ABC.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Jeffrey L. Spalding, Executive Director

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